



Collect \$1000/Month in Passive, Stress-Free Rent From These 3 REITs

Description

Real estate has long been used by enterprising folks everywhere to get rich.

There's a lot to love about the asset. People will always need a place to live or work. It's an easy to understand business that most anyone can get into. And most investors make heavy use of borrowed funds to help build their empire — and goose cash-on-cash returns.

There's just one problem: managing multiple real estate units is hard work. The landlord must vet prospective tenants, show the place, do up the paperwork, and then potentially boot problem renters. They must coordinate repairs and collect rent and keep track of expenses too.

In short, it's a big job. Especially as a small landlord becomes a big operator.

There's an easy solution. Real estate investment trusts (REITs) allow someone to build their own real estate empire while doing absolutely zero work. REITs are professionally managed and offer diverse portfolios. They're the perfect way to gain exposure to the market without doing all the work.

The only thing left for an investor to do is choose what REIT they'd like to own. Here are three of Canada's best and how they can potentially earn you \$1,000 per month in stress-free income.

Retail

The world of retail is currently being turned upside down by e-commerce. Every traditional retailer is worried about the future.

Grocers are by far the most insulated from this threat. This makes **Crombie Real Estate Investment Trust** ([TSX:CRR.UN](#)) perhaps Canada's most attractive retail REIT today. The owner of 251 properties — which are primarily Sobeys and Safeway grocery stores — is well positioned to keep paying dividends for years to come.

The yield today is 6.2%, which is attractive enough, especially when compared to traditional fixed-income options. The company generated \$1.17 per share in funds from operations in 2016, while

paying out \$0.89 in dividends. That gives it a payout ratio of just 76%.

Healthcare

Northwest Health Prop Real Est Inv Trust ([TSX:NWH.UN](#)) owns 141 different medical office and hospital properties located in five different countries, including Canada, Brazil, Germany, Australia, and New Zealand. The company also just made an offer to acquire an Australian REIT to further beef up its presence there.

The company offers investors an attractive 7.4% yield today, which comes with a payout ratio of approximately 86%. In addition, shares trade approximately 10% under their net asset value.

Residential

Most of Canada's residential REITs yield around 4%. **Northview Apartment REIT** ([TSX:NVU.UN](#)) is a major exception; it has a current payout of 7.3%.

Why the huge difference? Much of Northview's portfolio is in areas the market doesn't particularly like. The company has a strong presence in Atlantic Canada and the northern parts of the country. Investors would much rather own REITs with a lot of Toronto exposure. In addition, Northview's debt-to-assets ratio is a little high.

But the payout is rock solid. Northview generated \$2.21 per share in funds from operations in 2016. It paid \$1.63 per share in distributions, giving it a payout ratio of just 74%.

Collect \$1,000 per month

To collect a total of \$1,000 per month from these three REITs, investors would have to

- Buy 4,490 Crombie shares for a total capital outlay of \$64,386;
- Buy 5,000 NorthWest Health shares for a total of \$53,850; and
- Buy 2,452 Northview Apartment shares for \$55,173.

In total, you'd need to invest \$173,409 to generate \$1,000 per month from these three companies.

That might be a little too much for many people reading, but that doesn't mean you should give up. An investment of just \$17,340 would generate \$100 per month in passive rental income. And remember, investors can always use their broker's margin to leverage REIT investments just like folks who buy regular real estate. Just be careful doing so.

The bottom line

This is truly the best time ever to be alive. We all have powerful (and affordable!) computers in our pockets, medical technology ensures we'll live longer than ever, and buying small chunks of great real estate portfolios is easy. Start building your own lazy real estate empire today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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